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WILEY, REIN & FIELDING

1776 K STREET, N. W.
WASHINGTON, D. C. 20006
(202) 429-7000

July 30, 1996

DONNA COLEMAN GREGG
(202) 429-7260

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FACSIMILE
(202) 429-7049

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JUL 30 1996

Mr. William F. Caton, Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Re: Notification of Permitted Ex Parte
Presentation in MM Docket No. 92-266 and CS Docket No. 96-68

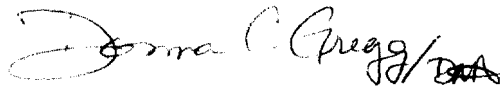
Dear Mr. Caton:

E! Entertainment Television, Inc. ("E!"), by its attorneys and pursuant to Section 1.206(a)(1) of the Commission's rules, hereby submits an original and one copy of a notification of an ex parte contact in MM Docket No. 92-266 and CS Docket No. 96-68.

Mark Feldman, Vice President of Business and Legal Affairs at E!, along with Donna C. Gregg of Wiley, Rein & Fielding, counsel for E!, met with Anita Walgren, Legal Advisor to Commissioner Ness and Meredith Jones, Chief of the Cable Services Bureau and the following members of the Bureau staff: William H. Johnson, Deputy Chief of Cable; JoAnn Lucanik, Division Chief of Policy and Rules; Meryl S. Iove, Legal Advisor; Ed Gallick, Senior Economist; Rodney McDonald, Attorney; Lynn Crakes, Attorney; and Katherine Jones, Attorney. The purpose of the meeting was to discuss issues related to commercial leased access rates and summarized in the written materials attached hereto.

Kindly direct any questions regarding this matter to the undersigned.

Respectfully submitted,



Donna C. Gregg
Counsel for E! Entertainment
Television, Inc.

Enclosure

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E! ENTERTAINMENT TELEVISION LEASED ACCESS CONCERNS



**ENTERTAINMENT
TELEVISION®**

- Following reregulation of cable rates in 1992, expansion of E! into new cable households halted. Growth of our subscriber base resumed only after adoption of the "going forward" rules, which we actively supported.
- E! has serious concerns about any proposal that threatens these hard-won carriage rights and impedes future expansion. The current leased access proposal is such a threat.
 - By reducing leased channel rates far below market value, the proposed cost-based formula is likely to stimulate unprecedented demand for leased access. Most cable operators can accommodate new demand only by "bumping" existing programming.
 - In the intense competition for limited cable "shelf space," programmers that have not been tested in the market will have an unfair advantage over programmers like E!, which has invested over \$100,000,000 dollars in its network over the years.
- Leased access, even at low rates, is not a viable option for E! to gain or preserve carriage.
 - Because several major MSOs have invested in E!, FCC rules preclude E! from leasing channels on its investors' cable systems.
 - Even if E! could lease channels, the loss of subscriber fees, which account for around 45% of E!'s revenues, would make it impossible to sustain the current level of investment in programming. The amount and quality of original programming would suffer.
 - A shift to a leased channel model, where subscriber fee revenue is diminished and advertising revenue growth is reduced due to lower investment in programming, is not an economically viable option for traditional advertiser supported networks like E!, as is demonstrated by the attached graphs.
- As an alternative to the drastic rate cuts inherent in a cost-based formula, E! supports retention of the current implicit channel fee approach with some modifications (NCTA proposal).

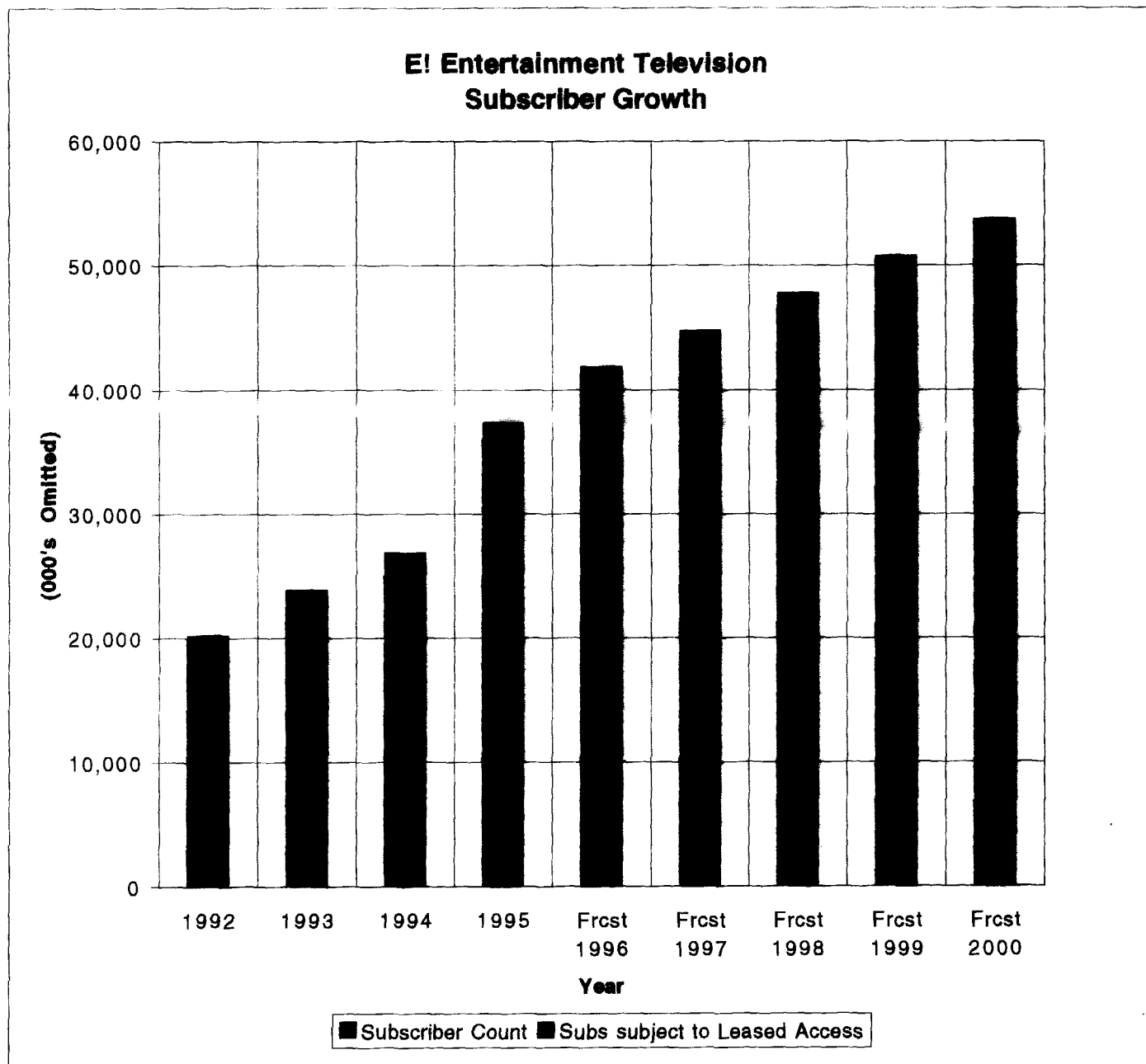


Chart assumes 50% of new subscribers after 1996 subject to leased access rules.

E! Entertainment Television Original 5 Year Plan

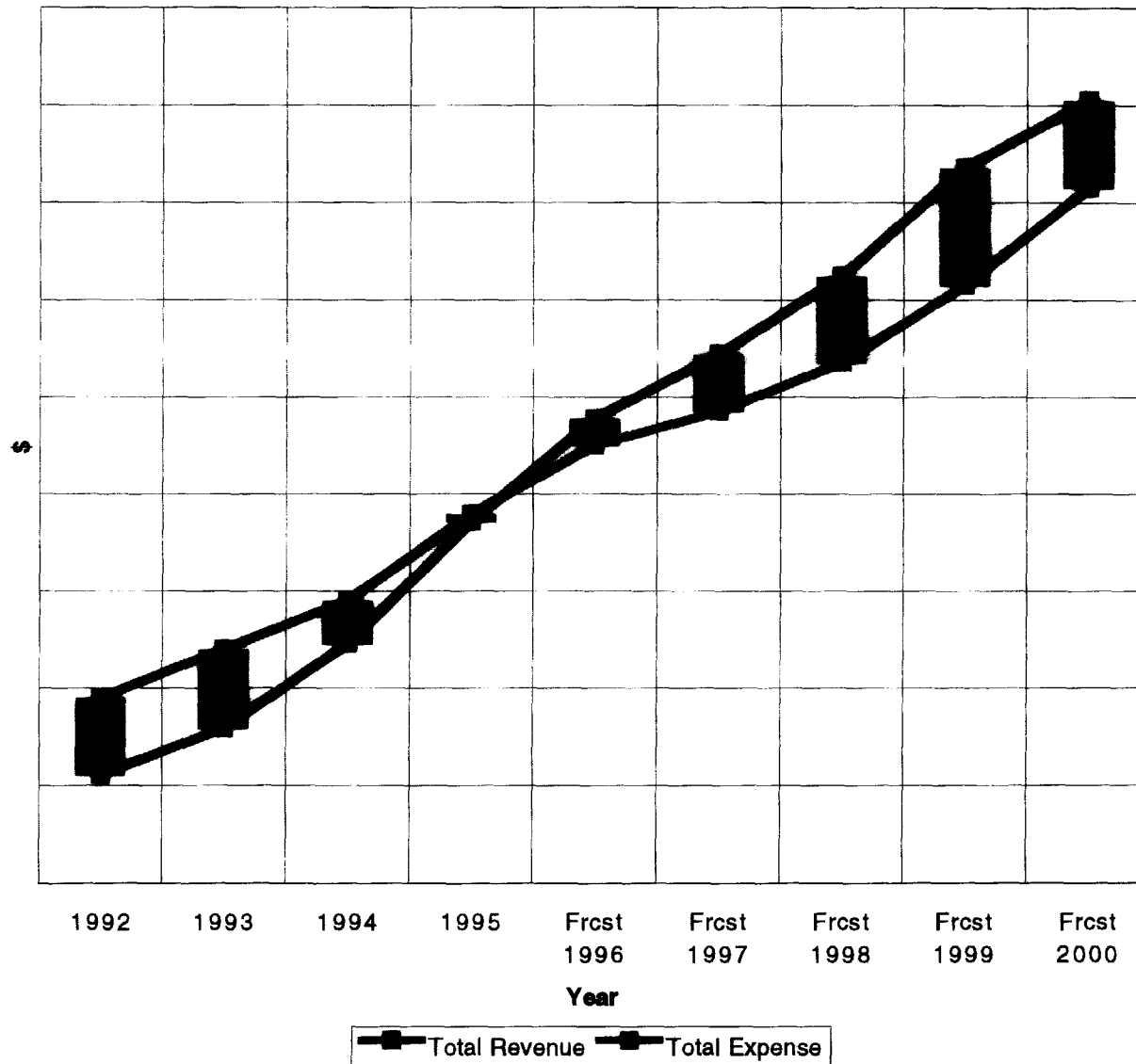


Chart shows original 5 year plan.

**E! Entertainment Television
\$.25/Sub/Mo. Leased Access Cost**

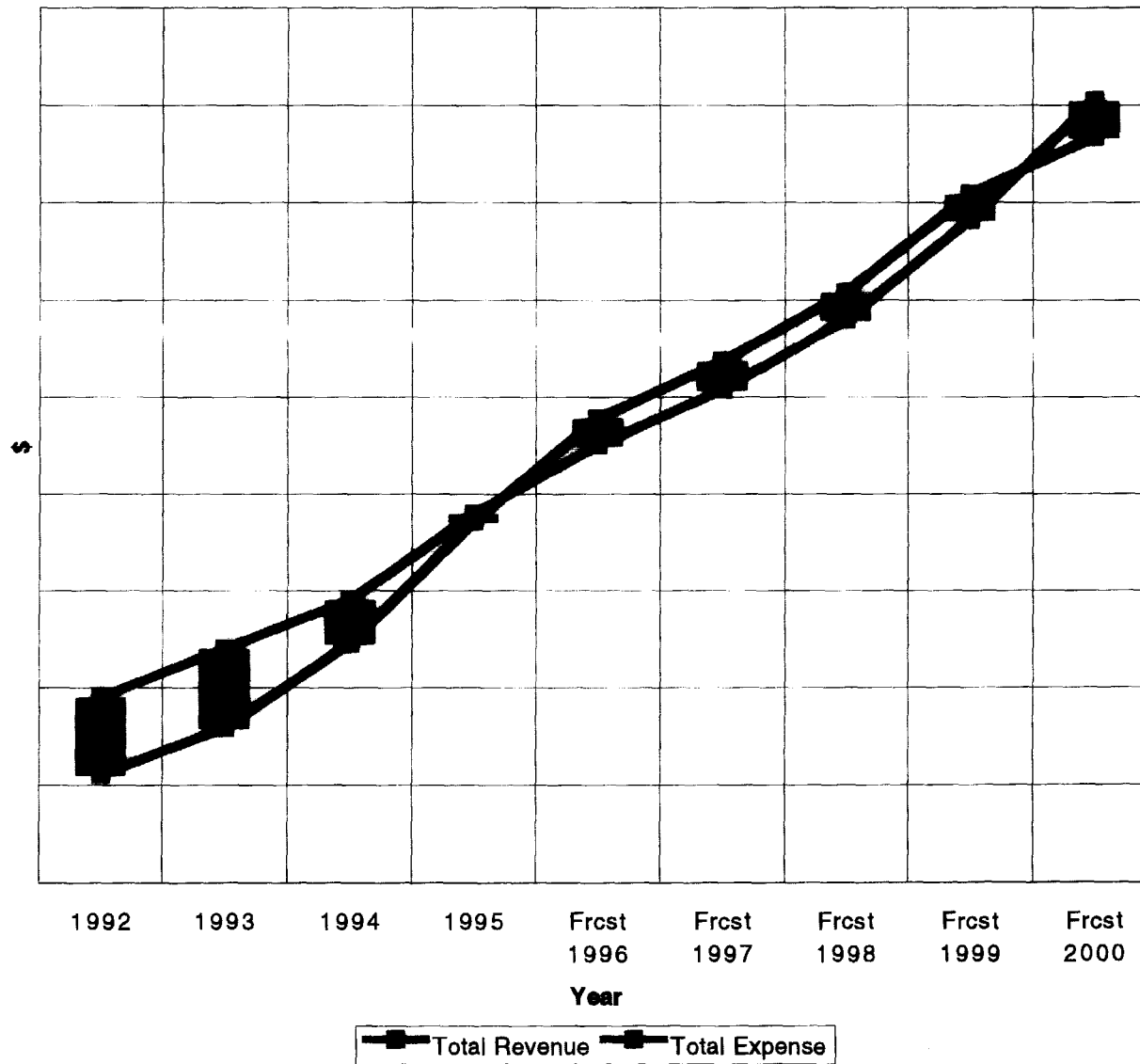


Chart assumes 50% of new subscribers after 1996 subject to leased access rules.